



SUNSUPER SUPERANNUATION FUND

A.B.N. 98 503 137 921

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

**Sunsuper Superannuation Fund's registered office
and principal place of business is:**

**30 Little Cribb Street
MILTON QLD 4064**

**SUNSUPER SUPERANNUATION FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

CONTENTS

Trustee's Statement	2
Independent auditor's report	4
Financial Statements	
Statement of Financial Position	5
Income Statement	6
Statement of Changes in Member Benefits	7
Statement of Cash Flows	8
Statement of Changes in Reserves	9
Notes to the financial statements	10

**SUNSUPER SUPERANNUATION FUND
TRUSTEE'S STATEMENT**

In the opinion of the directors of Sunsuper Pty Ltd (A.C.N. 010 720 840), being the Trustee of Sunsuper Superannuation Fund ("the Fund"):

- (i) the accompanying financial statements of Sunsuper Superannuation Fund are properly drawn up so as to present fairly the statement of financial position of the Fund as at 30 June 2018, the income statement for year ended 30 June 2018, and the statements of changes in member benefits, changes in equity / reserves and cash flows for the year ended on that date; and
- (ii) the accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

This statement is made in accordance with a resolution of the Board of Directors of the trustee company, Sunsuper Pty Ltd.



Andrew Fraser
Director



Elizabeth Hallett
Director

Brisbane
27 September 2018

Sunsuper Superannuation Fund ABN 98 503 137 921 Report by the Registrable Superannuation Entity ("RSE") Auditor to the members

Opinion

We have audited the financial statements of Sunsuper Superannuation Fund ("RSE") for the 30 June 2018 as set out on pages 5 to 49 attached.

In our opinion, the financial statements present fairly, in all material aspects, in accordance with Australian Accounting Standards the financial position of Sunsuper Superannuation Fund as at 30 June 2018 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the ended 30 June 2018.

Basis for opinion

We conducted the audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibility* section of our report. We are independent of the RSE in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (The code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the trustee for the Financial Statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,

but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercised professional judgement and maintained professional scepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.
- Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Frances Borg

Partner

Chartered Accountants

Sydney, 27 September 2018

SUNSUPER SUPERANNUATION FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 \$M	2017 \$M
Assets			
Investments			
	2		
Australian shares		14,867	11,235
International shares		13,427	10,431
Private capital		3,325	2,739
Property		5,729	4,206
Infrastructure		3,544	2,622
Fixed interest		6,923	5,289
Hedge funds and alternative strategies		2,913	2,758
Cash		4,436	4,415
Diversified strategies		1,962	2,110
Total investments		57,126	45,805
Other assets			
Cash and cash equivalents	3	720	723
Receivables and other assets		239	124
Total other assets		959	847
Total assets		58,085	46,652
Liabilities			
Benefits payable and other liabilities		478	263
Current tax liabilities		448	421
Deferred tax liabilities	9	718	517
Total liabilities		1,644	1,201
Net assets available for member benefits		56,441	45,451
Member liabilities			
Defined contribution member liabilities	4	54,535	43,783
Defined benefit member liabilities	5	1,143	1,079
Total member liabilities		55,678	44,862
Total net assets		763	589
Equity			
General reserve	8	304	195
Operational risk financial requirement (ORFR)	8	150	120
Defined benefits surplus	6	309	274
Total equity		763	589

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**SUNSUPER SUPERANNUATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$M	2017 \$M
Superannuation activities			
Revenue			
Interest revenue		269	221
Dividend revenue		843	611
Distribution income		440	380
Rental and other income		60	47
Changes in fair value of investments	2 (c)	3,639	3,536
Total revenue		<u>5,251</u>	<u>4,795</u>
Expenses			
Direct investment expenses		(136)	(123)
Administration services expense	13 (b)	(130)	(104)
Other operating expenses	10	(44)	(45)
Total expenses		<u>(310)</u>	<u>(272)</u>
Results from superannuation activities before income tax expense			
		<u>4,941</u>	<u>4,523</u>
Income tax expense attributable to net result	9	(190)	(246)
Results from superannuation activities after income tax expense		<u>4,751</u>	<u>4,277</u>
Net benefits allocated to defined contribution members		(4,519)	(4,197)
Net change in defined member benefits		(119)	(35)
Operating result after income tax		<u>113</u>	<u>45</u>

The above Income Statement should be read in conjunction with the accompanying notes.

SUNSUPER SUPERANNUATION FUND
STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Defined contribution member benefits \$M	Defined benefit member benefits \$M	Total \$M
Opening balance as at 1 July 2017		43,783	1,079	44,862
Employer contributions		3,202	25	3,227
Member contributions		594	-	594
Transfers from other funds		1,982	-	1,982
Successor fund transfers	7	3,950	16	3,966
Income tax on contributions		(492)	(4)	(496)
Net after tax contributions and rollovers		9,236	37	9,273
Benefits to members		(3,131)	(58)	(3,189)
Insurance proceeds credited to members' accounts		389	-	389
Insurance premiums charged to members' accounts (net of tax)		(294)	(1)	(295)
Transfers from defined benefit account to defined contribution account		33	(33)	-
<i>Net benefits allocated, comprising:</i>		-	-	-
Net investment income		4,636	-	4,636
Net administration fees		(117)	-	(117)
Net change in defined benefit member benefits		-	119	119
Closing balance as at 30 June 2018		54,535	1,143	55,678
Opening balance as at 1 July 2016		35,871	169	36,040
Employer contributions		2,684	12	2,696
Member contributions		671	-	671
Transfers from other funds		1,341	-	1,341
Successor fund transfers	7	2,074	907	2,981
Income tax on contributions		(415)	(2)	(417)
Net after tax contributions and rollovers		6,355	917	7,272
Benefits to members		(2,542)	(16)	(2,558)
Insurance proceeds credited to members' accounts		160	-	160
Insurance premiums charged to members' accounts (net of tax)		(283)	(1)	(284)
Transfers from defined benefit account to defined contribution account		25	(25)	-
<i>Net benefits allocated, comprising:</i>		-	-	-
Net investment income		4,303	-	4,303
Net administration fees		(106)	-	(106)
Net change in defined benefit member benefits		-	35	35
Closing balance as at 30 June 2017		43,783	1,079	44,862

The above Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

SUNSUPER SUPERANNUATION FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$M	2017 \$M
Cash flows from operating activities			
Interest received		261	224
Dividends and distributions received		954	781
Rental and other income received		67	56
Insurance proceeds received		295	234
Administration service expense paid		(124)	(101)
Direct investment expense paid		(141)	(126)
Other operating expenses paid		(39)	(49)
Group life insurance premiums paid		(342)	(329)
Income tax paid		(406)	(237)
Net inflows of cash from operating activities	3	525	453
Cash flows from investing activities			
Purchase of investments		(22,288)	(16,435)
Proceeds from sale of investment		18,751	13,669
Net outflows of cash from investing activities		(3,537)	(2,766)
Cash flows from financing activities			
Employer contributions received		3,230	2,915
Member contributions received		594	671
Transfers from other funds		1,982	1,341
Successor fund transfers		196	232
Benefits paid		(2,993)	(2,609)
Net inflows of cash from financing activities		3,009	2,550
Net increase/(decrease) in cash held		(3)	237
Cash and cash equivalents at the beginning of the financial year		723	486
Cash and cash equivalents at the end of the financial year	3	720	723

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**SUNSUPER SUPERANNUATION FUND
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2018**

	Note 8	General reserve \$ M	Insurance reserve \$ M	Operational risk financial requirement (ORFR) \$ M	Defined benefits surplus \$ M	Total \$ M
Opening balance as at 1 July 2017		195	-	120	274	589
Successor fund transfers		18	-	10	-	28
Successor fund transfer pending distribution		33	-	-	-	33
Operating result		61	4	13	35	113
Transfer from insurance reserve		4	(4)	-	-	-
Transfer to ORFR		(7)	-	7	-	-
Closing balance as at 30 June 2018		<u>304</u>	<u>-</u>	<u>150</u>	<u>309</u>	<u>763</u>
						-
Opening balance as at 1 July 2016		180	-	97	14	291
Successor fund transfers		-	-	4	249	253
Operating result		26	-	8	11	45
Transfer between reserves		(11)	-	11	-	-
Closing balance as at 30 June 2017		<u>195</u>	<u>-</u>	<u>120</u>	<u>274</u>	<u>589</u>

The above Statement of Changes in Reserves should be read in conjunction with the accompanying notes

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION	11
Nature of the fund.....	11
Nature of the contributions	11
Statement of compliance.....	11
Critical accounting judgments and key sources of estimation uncertainty	11
Application of new and revised Accounting Standards	12
Standards and Interpretations in issue not yet adopted	12
Significant accounting policies	14
2. INVESTMENTS.....	16
3. CASH AND CASH EQUIVALENTS	22
4. DEFINED CONTRIBUTION MEMBER LIABILITIES.....	22
5. DEFINED BENEFIT MEMBER LIABILITIES.....	23
6. DEFINED BENEFIT PLANS THAT ARE OVER / (UNDER) FUNDED	25
7. TRANSFERS FROM SUCCESSOR FUNDS	26
8. RESERVES.....	27
9. INCOME TAX	28
10. OTHER OPERATING EXPENSES	29
11. REMUNERATION OF AUDITORS & ACTUARIES (VALUE IN WHOLE DOLLARS).....	30
12. FINANCIAL RISK MANAGEMENT	31
(a) Financial instruments management	31
(b) Financial risk management objectives.....	31
(c) Credit risk.....	31
(d) Market risk	32
(e) Liquidity risk.....	36
(f) Securities lending arrangements	38
13. RELATED PARTY TRANSACTIONS.....	39
14. KEY MANAGEMENT PERSONNEL	44
(a) Key management personnel	44
(b) Compensation and evaluation of key management personnel.....	45
(c) Directors' meetings.....	48
15. SUBSEQUENT EVENTS.....	49

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1. GENERAL INFORMATION

Nature of the fund

The Fund was established under a Trust Deed dated 1 October 1987. It is a regulated superannuation fund registered by the Australian Prudential Regulation Authority (APRA) as a registrable superannuation entity (RSE). The RSE registration number is R1000337.

The Fund has both defined contribution and defined benefit members. The purpose of the Fund is to provide superannuation and insurance benefits for members and their dependants. The fund operates on profit-for-members basis with all profits reinvested to provide improved outcomes for members.

Sunsuper Pty Ltd (ACN 010 720 840) is the Trustee of the Fund and is responsible for managing the Fund, ensuring that it operates the Fund in the best interests of all members and complies with all relevant legal and regulatory requirements.

The Fund is administered by Precision Administration Services Pty Ltd (ACN 098 977 667), a 100% owned entity of the Fund.

The custodially held investment assets of the Fund are held by State Street Australia Limited (ACN 002 965 200).

The principal place of business of the Fund is 30 Little Cribb Street, Milton, Queensland.

	2018	2017
Number of members of the Fund at 30 June	<u>1,310,692</u>	<u>1,025,552</u>

Nature of the contributions

Contributions to the Fund are determined by the type of membership. For defined contribution members, employers are expected to contribute at a minimum rate as determined by Industrial Awards or Superannuation Guarantee Legislation. The Superannuation Guarantee rate for the year ending 30 June 2018 was 9.50% (2017: 9.50%). For defined benefit members, employers are expected to contribute at a rate determined by the Trustee acting on the advice of the appointed actuaries. Employees are also able to make voluntary contributions.

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with AASB 1056 and other Australian Accounting Standards, Interpretations, the Superannuation Industry (Supervision) Act 1993 and provisions of the Trust Deed dated 1 October 1987 and amendments thereto.

For the purposes of preparing the financial statements, the Fund is a profit for members entity.

The financial statements were authorised for issue by the Directors on 27 September 2018.

Critical accounting judgments and key sources of estimation uncertainty

In the application of Accounting Standards, management is required to make judgments, estimates and assumptions about fair values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 2 (d): Fair value of investments
- Note 5: Defined benefit member liabilities

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1. GENERAL INFORMATION (CONT.)

Application of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had significant financial and disclosure impact on these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2016-1	Amendments to Australian Accounting Standards - 'Recognition of Deferred Tax Assets for Unrealised Losses'
AASB 2017-2	Amendments to Australian Accounting Standards - 'Further Annual Improvements 2014-2016 Cycle'

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations which were in issue but not yet effective, and are relevant to the Fund, are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and the relevant amending standards	1 January 2018	30 June 2019
AASB 2017-1 'Amendments to Australian Accounting Standards - Transfer of Investment Property, Annual Improvements 2014-2016 Cycles and Other Amendments'	1 January 2018	30 June 2019
AASB Interpretation 22 'Foreign Currency Transactions and Advanced Consideration	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020

The initial application of some of the Standards and Interpretations issued but not yet effective will have an impact on the Fund's financial statements. Management's assessment of the impact is as detailed below:

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. GENERAL INFORMATION (CONT.)

AASB 9, 'Financial Instruments'

Management has considered the three key AASB 9 changes being: Classification and measurement, Impairment assessment and Hedge accounting.

Classification and measurement changes

All of the Fund's investments are classified as fair value through profit and loss (FVTPL), consisting of derivatives held for trading and financial assets that are not held for trading and which may be sold. Other financial instruments consist of Loans and receivables. The Fund does not have any assets classified as held to maturity or available for sale.

With AASB 9 coming into effect, the classification will be replaced by categories that reflect the measurement and the contractual cashflows characteristics of the financial instrument. AASB 9 categories are amortized cost (AASB 139: Loans and receivables), fair value through other comprehensive income (FVOCI) (AASB 139: Available for sale and Held to maturity) and FVTPL (AASB 139: FVTPL).

In addition to the classification, management has done an assessment of the below potential changes in presentation and measurement;

- AASB 9 removes the measurement exception of certain equity instruments that are not traded in an active market and whose fair value cannot be reliably established. The Fund values all its financial instruments at fair value and therefore this will not have any impact.
- AASB 9 provides that an entity may elect to present changes in the fair value of investments in equity instruments in other comprehensive income as opposed to the income statement. The Fund will not make this election.

Impairment of Loans and receivables

The new approach of impairment assessment for Loans and receivables under AASB 9 is not expected to have a material impact on the Fund's financial statements. Credit risk arising from any potential lifetime expected credit losses of receivables is minimal as the entity is not a trading entity and receivables are not material.

Hedging requirements

The treatment of the Fund's currency hedges will not change under AASB 9.

AASB 15 'Revenue from Contracts with Customers'

The significant portion of the Fund's revenue falls within the scope of AASB 9, Financial instruments and is therefore outside the scope of AASB 15. The fund's other income is not significant.

AASB 2017-1 'Amendments to Australian Accounting Standards - Transfer of Investment Property, Annual Improvements 2014-2016 Cycles and Other Amendments'

The Fund holds investment property as part of the Fund's investment strategy. The amounts are not material to the financial statements and the Fund is unlikely to change the use of these investments. Therefore, there is no material impact of the new standard.

AASB Interpretation 22, Foreign Currency Transactions and Advance Consideration

This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it). The fund does not have significant foreign denominated prepayments or any other non monetary asset or liability. The standard is not expected to have a material impact on the Fund's financial statements.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. GENERAL INFORMATION (CONT.)

AASB 16, Leases

The Fund incurs costs for leases relating to office space in Brisbane and Sydney.

As at 30 June 2018, the Fund's minimum lease payments under non-cancellable operating leases amounted to \$9.4 m. The new standard will have the following impact on the Fund's financial statements:

- The Fund will recognise new right-of-use assets and liabilities relating to operating leases of office premises in the Statement of financial position;
- The recognition of operating lease expense will be replaced with a depreciation charge for right-to-use assets and interest expense on lease liabilities in the Income Statement.
- Cash payments of the lease liability will be classified into a principal portion and interest portion and presented in the Statement of Cashflows under financing and operating activities respectively.

Based on the current portfolio of leases held, management's assessment is that the accounting treatment of leases will change, however the impact on the financial statements will not be material.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The significant accounting policies have been set out below or within the relevant notes in these financial statements. The policies have been consistently applied to all periods presented in these financial statements.

(a) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Fund and the amount of revenue can be reliably measured. The following recognition criteria relates to the different items of revenue the Fund receives:

Dividend revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at the reporting date, the balance is reflected in the Statement of Financial Position as part of the underlying investment category.

Distributions from unit trusts

Distributions from unit trusts are recognised on a receivable basis on the date the unit value is quoted ex-distribution. If distributions from unit trusts are not received at the reporting date, the amount is reflected in the Statement of Financial Position as part of the underlying investment category.

Interest revenue

Revenue on money market and fixed interest securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of financial asset to that asset's net carrying amount. If interest is not received at balance date, it is reflected in the Statement of Financial Position as part of the underlying investment category.

Rental income

Rental income from investment property is recognised in accordance with the rental agreement on an accruals basis.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. GENERAL INFORMATION (CONT.)

(b) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(c) Consolidation

Entities that meet the definition of an investment entity within AASB 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. Sunsuper meets the definition of an investment entity and accordingly accounts for controlled entities at fair value.

An exception to this treatment is where subsidiaries main purpose and activities are to provide investment-related services or activities that relate to the investment entity's investment activities. These types of services include investment advisory services, investment management, investment support and administrative services.

Given that the main purpose of Precision Administration Services Pty Ltd (Precision) and Sunsuper Financial Services Pty Ltd (Sunsuper Financial Services) are to provide administrative services to the Fund and its members, both subsidiaries should be consolidated. However, as the net assets of Precision and Sunsuper Financial Services are not material to the users of the fund financial statements as a whole the net assets have been recognised as other assets within the financial statements. Refer to note 13 (Related party transactions) for further information. A list of all controlled entities is also included under Note 13 to the financial statements.

(d) Insurance arrangements

The Trustee has determined that the Fund acts in the capacity of an agent for insurers under the requirements of AASB 1056.

The Fund provides income protection, death and disability benefits to its members. The Trustee has group policies in place with third party insurance companies to insure these income protection, death and disability benefits for the members of the Fund.

The Fund collects premiums from members on behalf of the insurance companies. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore, group life insurance premiums are not revenues or expenses of the Fund and do not give rise to insurance contract liabilities and reinsurance assets. Group life insurance premiums charged to members' accounts and insurance proceeds allocated to members' accounts are recognised in the Statement of Changes in Member Benefits.

(e) Contingent liabilities and assets

There are no material contingent assets or liabilities as at 30 June 2018 (30 June 2017: nil).

(f) Rounding

Due to the size of the Fund's assets, the financial statements and notes to the financial statements have been rounded to the nearest one million dollars unless otherwise stated.

(g) Comparative amounts

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, some line items in the notes to the financial statements have been amended. Comparative figures have been adjusted to conform to the current year's presentation.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. INVESTMENTS

(a) Asset classes

Investments of the Fund have been aggregated by asset classes as contained in the Fund's product disclosure statement (PDS) issued 30 September 2017. These asset classes are used to construct members' investment choice options as disclosed in the PDS.

Australian shares

These are investments in companies that are listed on the Australian Securities Exchange (ASX).

International shares

These are investments in companies that are listed on foreign stock exchanges.

Private capital

This asset class consists of privately-owned assets including but not limited to private equity funds, venture capital funds and opportunistic property funds.

Property

This asset class generally consists of investments in office buildings, industrial assets and retail shopping centres.

Infrastructure

These are generally investments in roads, bridges, airports, ports, utilities, power stations, other community projects and other assets.

Fixed interest

Fixed interest investments are made up of securities to borrowers such as governments, companies and other entities.

Hedge funds and alternative strategies

These are specific investments that use complex market trading strategies to generate returns that do not follow the normal investment cycles of the traditional asset classes. Alternative Strategies include illiquid credit investments as well as derivatives including forwards, futures, options and swaps.

Cash

Cash can be any type of cash (including foreign currency) or fixed interest investment that has a short repayment period (normally less than one year). It includes bank bills and short-term bank deposits.

Diversified strategies

This asset class consists of investments that can incorporate investments in some or all of other asset classes disclosed.

(b) Investment accounting policies

(i) Classification

The Fund's investments are classified as held at fair value through the income statement. They comprise:

- Financial instruments held for trading
Derivative financial instruments such as futures, forward contracts, options and swaps are included under this classification.
- Financial instruments designated at fair value through the income statement upon initial recognition
These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts, unlisted securities, term deposits, commercial paper and direct property investments.

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. INVESTMENTS (CONT.)

(b) Investment accounting policies (Cont.)

(ii) Recognition/derecognition

The Fund's financial instruments are recognised on the date the Fund becomes party to the contractual agreement (trade date) and changes in the fair value of the investments are recognised from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Fund has transferred substantially all of the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial instrument at fair value. Transaction costs are expensed in the Income Statement.

Subsequent to initial recognition, all investments at fair value through the income statement are measured at fair value. Gains and losses are presented in the Income Statement in the period in which they arise as net changes in fair value of financial instruments.

(c) Changes in fair value of investments

	2018	2017
	\$M	\$M
Investments held at reporting date		
Australian shares	989	725
International shares	1,190	1,027
Private capital	419	186
Property	367	256
Infrastructure	318	205
Fixed interest	26	(42)
Hedge funds and alternative strategies	(468)	(50)
Cash	(1)	2
Diversified strategies	121	116
	<u>2,961</u>	<u>2,425</u>
Investments realised during the reporting period		
Australian shares	60	99
International shares	218	169
Private capital	27	3
Property	5	17
Infrastructure	(7)	(15)
Fixed interest	(77)	15
Hedge funds and alternative strategies	392	755
Cash	23	35
Diversified strategies	37	33
	<u>678</u>	<u>1,111</u>
Total changes in fair values	<u>3,639</u>	<u>3,536</u>

Changes in fair value of investments are recognised as revenue and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. INVESTMENTS (CONT.)

(d) Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below sets out the Fund's investments at fair value according to the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
30 June 2018	\$M	\$M	\$M	\$M
Australian shares	14,179	688	-	14,867
International shares	13,405	21	1	13,427
Private capital	1	227	3,097	3,325
Property	12	197	5,520	5,729
Infrastructure	34	-	3,510	3,544
Fixed interest	100	6,821	2	6,923
Hedge funds and alternative strategies	632	2,250	31	2,913
Cash	2,484	1,952	-	4,436
Diversified strategies	819	715	428	1,962
Total	31,666	12,871	12,589	57,126
30 June 2017 *				
Australian shares	10,464	771	-	11,235
International shares	10,268	163	-	10,431
Private capital	3	203	2,533	2,739
Property	4	221	3,981	4,206
Infrastructure	15	-	2,607	2,622
Fixed interest	127	5,160	2	5,289
Hedge funds and alternative strategies	600	2,143	15	2,758
Cash	2,415	2,000	-	4,415
Diversified strategies	915	661	534	2,110
Total	24,811	11,322	9,672	45,805

* A detailed review performed during the year around the classification of investments into the fair value hierarchy resulted in a net \$1.1 billion reclassification of investments from level 2 to level 3 in the comparative balance. Whilst the nature of the underlying investments has not changed, Sunsuper has decided to take a more conservative view of certain asset classifications, in relation to property, private capital and infrastructure asset classes.

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. INVESTMENTS (CONT.)

(d) Fair value hierarchy (Cont.)

The pricing for the majority of the Fund's investments is sourced from independent pricing sources, the relevant investment manager or reliable brokers' quotes.

Investments for which values are based on quoted market prices in active liquid markets, e.g. recognised stock exchanges, and therefore classified within level 1, include listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include fixed interest securities, over-the-counter derivatives and investments in unlisted unit trusts within which the underlying securities are primarily valued by applying quoted market prices in active markets. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted investment vehicles such as unit trusts and partnerships as well as direct property. As observable prices are not available for these investments, the Fund has typically received valuations from investment managers, or from independent valuers appointed by them, who have used generally accepted valuation techniques to derive fair value.

The Fund's policy is to recognise transfers into and transfers out of the fair value hierarchy as at the end of the reporting period.

Transfers between levels for the year ended 30 June 2018 as noted in the movement in level 3 investments below, represents listed shares that were suspended for trading as at that date. The shares were previously classified as level 1.

There were no material transfers between levels in the fair value hierarchy for the year ended 30 June 2017.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. INVESTMENTS (CONT.)

Movement in level 3 investments

The following tables present the movement in level 3 financial assets as at the reporting date by asset classes of financial instruments.

	Opening balance at 1 July \$M	Changes in fair value of investments in Income statement \$M	Purchases \$M	Redemptions \$M	Transfers to/(from) level 3 \$M	Closing balance at 30 June \$M
30 June 2018						
International shares	-	-	-	-	1	1
Private capital	2,533	430	594	(460)	-	3,097
Property	3,981	373	2,093	(927)	-	5,520
Infrastructure	2,607	313	1,067	(477)	-	3,510
Fixed interest	2	-	-	-	-	2
Hedge funds and alternative strategies	15	1	30	(15)	-	31
Diversified strategies	534	47	-	(153)	-	428
Total	9,672	1,164	3,784	(2,032)	1	12,589
30 June 2017						
International shares	-	-	-	-	-	-
Private capital	2,085	126	570	(248)	-	2,533
Property	3,693	297	444	(453)	-	3,981
Infrastructure	1,896	190	656	(135)	-	2,607
Fixed interest	3	-	-	(1)	-	2
Hedge funds and alternative strategies	6	1	12	(4)	-	15
Diversified strategies	687	20	-	(173)	-	534
Total	8,370	634	1,682	(1,014)	-	9,672

Changes in fair value of investments in Income statement on assets held at the reporting date were as below

	2018 \$M	2017 \$M
Australian shares	-	2
International shares	-	-
Private capital	334	97
Property	289	243
Infrastructure	234	232
Fixed interest	-	1
Hedge funds and alternative strategies	(2)	3
Diversified strategies	(24)	57
Total	831	521

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. INVESTMENTS (CONT.)

Valuation inputs and relationships to fair value of level 3 investments

Where a valuation model technique is used, the underlying investment manager or external independent valuer considers liquidity, credit and market risk factors, and adjusts the model as deemed necessary. As part of this process valuers generally consider several alternative valuation assumptions in their model which determine valuation ranges around the valuer's best estimate of fair value.

The following table illustrates how the valuation ranges around fair value provided to the Fund could affect operating result after income tax and net assets available for member benefits if other reasonably possible alternative valuation assumptions were used as at the reporting date.

	Effects on operating results after income tax / net assets attributable to members			
	2018		2017	
	Favourable change \$M	unfavourable change \$M	Favourable change \$M	unfavourable change \$M
Property	143	(137)	78	(73)
Infrastructure	59	(58)	70	(61)

(e) Offsetting financial assets and financial liabilities

Financial assets and liabilities, specifically derivative financial instruments, are offset and the net amount reported in the Statement of Financial Position, as there is a legally enforceable right to offset the recognised amounts. The gross and net positions of financial assets and liabilities that have been offset in the Statement of Financial Position are disclosed in the below table.

	2018 \$M	2017 \$M
Derivative financial instruments		
Gross amounts of financial assets	423	492
Gross amounts of financial liabilities	(883)	(259)
Net amount of financial assets presented in the Statement of Financial Position	(460)	233

(f) Investments commitments

Sunsuper has uncalled commitments with investment managers to the value of \$6,118m as at 30 June 2018 (2017: \$2,866m). The Fund has no other material commitments, contingent assets or contingent liabilities as at 30 June 2018.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and deposits held at call with a bank or other financial institution. For the purpose of Statement of cash flows, cash and cash equivalents includes cash balances held for both operational and investment purposes.

	2018	2017
	\$M	\$M
Cash and deposits at call held in CBA bank account	97	88
Cash at bank held by the custodian	623	635
	<hr/>	<hr/>
Total cash and cash equivalents	720	723

Reconciliation of net change in cash from operating activities to operating result after income tax.

	2018	2017
	\$M	\$M
Operating result after income tax	113	45
Adjustments for:		
(Increase)/decrease in fair value of financial instruments	(3,639)	(3,536)
Dividends and distributions income re-invested	(264)	(187)
Net benefits allocated to DC members	4,519	4,197
Net benefits allocated to DB members	119	35
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(73)	(17)
Increase/(decrease) in payables	14	2
Increase/(decrease) in income tax payables	184	383
Group life insurance premiums paid	(342)	(329)
Insurance proceeds received	295	234
Income tax paid on contributions received	(401)	(374)
	<hr/>	<hr/>
Total net inflows from operating activities	525	453

4. DEFINED CONTRIBUTION MEMBER LIABILITIES

Obligations relating to member entitlements are recognised as member liabilities. Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

Defined contribution members bear the investment risk relating to the underlying assets of the Fund.

Unit prices are updated on a daily basis for movements in investment markets. The Fund's management of the investment market risks is as disclosed within note 12.

Defined contribution members' liabilities are fully vested as at 30 June 2018 and 30 June 2017.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5. DEFINED BENEFIT MEMBER LIABILITIES

Defined benefit member liabilities are measured as the amount of the accrued benefits as at the reporting date, being the estimated present value of a portfolio of investments that would be needed as at the reporting date to yield future net cash flows that would be sufficient to meet the accrued benefits on the date when they are expected to fall due.

The Fund engages qualified actuaries on an annual basis to measure defined benefit member liabilities in each of its defined benefit plans. In determining the defined benefit member liabilities the appointed actuary determines appropriate assumptions in respect to discount rate, salary adjustment rate, resignations and mortality.

The Fund and its actuaries use sensitivity analysis to monitor the potential impact of changes to the assumptions. The Fund and its actuaries have identified two assumptions (being the discount rate and the rate of salary adjustment) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities. The assumed discount rate has been determined by reference to the investment returns expected on the investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets. The assumed annual salary adjustment has been determined by reference to the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

Changes to the other assumptions, including resignations and mortality rates, do not have a material impact on the amount of the defined benefit member liabilities.

The Fund has eleven defined benefit plans as at the reporting date. The discount rate and salary adjustment rate used to determine the values of accrued liabilities for each of the defined benefit plans were:

Defined benefit plan	2018			2017		
	Pre-retirement discount rate	Post-retirement discount rate	Salary adjustment rate	Pre-retirement discount rate	Post-retirement discount rate	Salary adjustment rate
APN	6.5%	-	4.5%	6.5%	-	4.5%
Brisbane Grammar School	6.0%	-	4.5%	6.0%	-	4.5%
CCH	6.5%	-	4.5%	6.5%	-	4.5%
Goodman Fielder	6.5%	-	4.5%	6.5%	-	4.5%
Hanson Australia	6.5%	-	5.0%	6.5%	-	5.0%
Mackay Sugar (1)	-	-	-	3.0%	-	5.0%
Mondelez	6.5%	7.0%	4.5%	6.5%	7.0%	4.5%
Procter & Gamble	6.5%	-	4.5%	6.5%	-	4.5%
RB Super	6.0%	6.5%	3.5%	6.5%	7.0%	3.5%
Simplot Australia	6.5%	-	4.5%	6.5%	-	4.5%
Unilever	4.0%	4.5%	2.5%	4.0%	4.5%	3.5%
Swiss Re (2)	-	7.0%	-	-	-	-

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5. DEFINED BENEFIT MEMBER LIABILITIES (CONT.)

The following are sensitivity calculations on a single variable basis for the discount rate and rate of salary adjustment assumptions for each of defined benefit plans:

Defined benefit plan	Effects on defined benefit member liability in \$000							
	2018				2017			
	Discount rate		Salary adjustment rate		Discount rate		Salary adjustment rate	
	+0.5%	-0.5%	+1.0%	-1.0%	+0.5%	-0.5%	+1.0%	-1.0%
APN	-	(15)	(43)	-	40	(43)	(74)	63
Brisbane Grammar School	-	-	-	-	-	-	-	-
CCH	-	-	-	-	-	-	-	-
Goodman Fielder	-	-	-	-	-	-	-	-
Hanson Australia	386	(408)	(668)	618	392	(415)	(697)	641
Mackay Sugar (1)	-	-	-	-	2	(2)	(4)	4
Mondelez	110	(118)	(226)	198	-	-	-	-
Procter & Gamble	8	(37)	(104)	11	39	(156)	(316)	37
RB Super	69,468	(78,644)	(161,594)	128,637	63,479	(72,066)	(149,645)	118,271
Simplot Australia	-	-	-	-	-	-	-	-
Unilever	580	(633)	(1,278)	994	736	(787)	(1,575)	1,400
Swiss Re (2)	519	(554)	(1,117)	1,107	-	-	-	-
Total	71,071	(80,409)	(165,030)	131,565	64,688	(73,469)	(152,311)	120,416

- (1) Mackay Sugar plan was closed during the year with the last two members electing to transfer to the Mackay Sugar Superannuation Plan, the last transfer was effective 11 December 2018.
(2) Swiss Re became a new defined benefit plan of the Fund from 15 May 2018

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6. DEFINED BENEFIT PLANS THAT ARE OVER / (UNDER) FUNDED

The actuarial reviews completed for valuation date of 30 June 2018 and 30 June 2017 reported below results for the Fund's defined benefit plans:

As at 30 June 2018

Defined benefit plan	Net assets for defined benefit members at valuation date \$000	Actuarial value of accrued benefits for defined benefit members \$000	Over funded or (Under funded) \$000
APN	1,690	1,353	337
Brisbane Grammar School	1,605	1,067	538
CCH	3,578	3,532	46
Goodman Fielder	6,910	6,151	759
Hanson Australia	35,922	34,854	1,068
Mondelez	79,877	68,977	10,900
Proctor & Gamble	5,185	4,109	1,076
RB Super	1,271,898	985,632	286,266
Simplot Australia	2,260	1,868	392
Unilever	27,114	20,731	6,383
Swiss Re	15,522	14,310	1,212
Total	1,451,561	1,142,584	308,977

As at 30 June 2017

Defined benefit plan	Net assets for defined benefit members at valuation date \$000	Actuarial value of accrued benefits for defined benefit members \$000	Over funded or (Under funded) \$000
APN	1,476	1,235	241
Brisbane Grammar School	3,860	3,272	588
CCH	6,820	6,587	233
Goodman Fielder	7,282	6,567	715
Hanson Australia	34,748	35,075	(327)
Mackay Sugar	277	70	207
Mondelez	86,659	76,969	9,690
Proctor & Gamble	6,034	5,112	922
RB Super	1,175,121	918,136	256,985
Simplot Australia	2,151	1,749	402
Unilever	28,402	24,144	4,258
Total	1,352,830	1,078,916	273,914

The amount of vested benefits attributable to defined benefit members as at 30 June 2018 is \$1,074,361 thousand (2017: \$1,013,623 thousand).

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

7. TRANSFERS FROM SUCCESSOR FUNDS

In the 2018 financial year, there were 3 successor fund transfers (2017: 2). The assets which were transferred have been valued in accordance with the Fund's accounting policies. The transfers occurred as follows:

Fund/Plan	Transfer Date	Amount \$'000'
2018		
AGL Super Fund	Nov 2017	61
Kinetic Superannuation Fund	May 2018	4,016
Swiss Re Defined Benefit Plan	May 2018	16
Total		4,093
2017		
Reserve Bank of Australia Officers' Superannuation Fund	March 2017	1,467
BlueScope Steel Superannuation Fund	June 2017	1,767
Total		3,234

The transfers from all successor funds have resulted in following movements in member liabilities and reserves of the Fund:

	2018 \$M	2017 \$M
Defined contribution member liabilities	3,950	2,074
Defined benefit member liabilities	16	907
Defined benefit surplus	-	249
General reserve	51	-
Operational risk financial requirement reserve	10	4
Expenses paid on transition	44	-
Tax accrual	22	-
	4,093	3,234

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8. RESERVES

In order to comply with legislative and Trust Deed requirements, the Trustee maintains a number of reserves in the Fund for the benefit of members.

Operational risk financial requirement (ORFR)

The Trustee is required to maintain adequate financial resources to address losses arising from operational risks that may affect its business operations. The operational risk financial requirement (ORFR) is the target amount of financial resources that the Trustee determines is necessary to respond to these losses.

The Trustee set an ORFR target amount at 0.25% of Fund net assets plus 0.10% of Sunsuper Pooled Superannuation Trust (PST) net assets. The PST is a controlled entity (refer Note 13) and has the same Trustee as Sunsuper Superannuation Fund.

The amount of ORFR held by the Fund which is attributed to the PST at 30 June 2018 is \$7,444,174 (2017: \$6,083,236).

Initial funding of the ORFR and future top-ups or replenishments are made from the general reserve. The ORFR is invested in the Balanced Option.

General reserve

The Trustee maintains a general reserve in the Fund for the benefit of members. The general reserve is maintained in order to:

- Help meet the operating expenses of the Fund;
- Assist with the management of the operational risks of the Fund, including meeting losses from events not covered by insurance, or not claimed under insurance policies, and not met from the ORFR;
- Support the ORFR;
- Support the timing differences between the level of investment tax and the investment costs incurred by the Fund and the level of investment tax and investment fees charged to members; and
- Support expenses and capital investments in assets designed to enhance the efficiency of the Fund's operations

The Trustee does not maintain the general reserve for the purpose of smoothing investment earnings of any investment options. Members' accounts are credited or debited with the actual earnings of their investment option or options.

The general reserve is invested in:

- The Balanced Option;
- Low volatility investments (e.g. cash) to fund significant short-term liabilities (e.g. taxes);
- New investment options up to a combined total of \$5m to provide seed funding on a temporary basis; and
- Any other investments approved by the Trustee.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

9. INCOME TAX

This note provides an analysis of the Fund's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act 1997 as amended. Accordingly, the concessional tax rate of 15% has been applied.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or benefit in the Income Statement.

a) Income tax recognised in Income Statement

	2018	2017
	\$M	\$M
Tax expense comprises:		
Current tax (benefit)/expense	(18)	24
Adjustments for current tax of prior years	8	9
Deferred tax expense relating to the origination and reversal of temporary differences	200	213
Total income tax expense	190	246

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

9. INCOME TAX (CONT.)

a) Income tax recognised in Income Statement (Cont.)

The prima facie income tax expense on results from superannuation activities before tax reconciles to the income tax expense in the financial statements as follows:

	2018	2017
	\$M	\$M
Operating results before income tax	4,941	4,523
Income tax expense at 15%	741	678
Non-assessable investment income	(259)	(213)
Imputation credits and other rebates	(251)	(200)
Other	(49)	(29)
Adjustments for current tax of prior years	8	10
Total income tax expense	190	246

There has been no change in the superannuation tax rate of 15% when compared with the previous reporting period.

b) Deferred tax balances

The balances comprise temporary differences attributable to:

	2018	2017
	\$M	\$M
Deferred tax liabilities:		
Net unrealised revenue gains	(67)	8
Net unrealised capital gains	785	509
	<u>718</u>	<u>517</u>
Deferred tax assets:		
Other payables	-	-
Net deferred tax liabilities	<u>718</u>	<u>517</u>

10. OTHER OPERATING EXPENSES

	2018	2017
	\$M	\$M
Sponsorship and advertising (1)	7	10
Trustee fees	1	1
Salaries and employee benefits	27	24
Statutory charges	3	3
Other expenses	6	7
	<u>44</u>	<u>45</u>

(1) Please refer to note 13(f) for the portion of sponsorship and advertising expenses paid to related parties included in sponsorship and advertising operating expenses.

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

11. REMUNERATION OF AUDITORS & ACTUARIES (VALUE IN WHOLE DOLLARS)

Remuneration of auditors	2018	2017
Deloitte Touche Tohmatsu		
External audit services	380,398	360,272
Other non-audit services - tax services	29,311	21,000
Other non-audit services - advisory services	17,360	430,420
	427,069	811,692
KPMG		
Internal audit services	150,620	177,368
Other non-audit services - advisory services	8,818	27,571
	159,438	204,939
 Remuneration of actuaries		
Towers Watson Australia Pty Ltd	186,054	14,482
Sunsuper Financial Services Pty Ltd	39,083	76,390
	225,137	90,872

Towers Watson Australia Pty Ltd is the actuary for Unilever defined benefit plan and RB Super defined benefit plan. Sunsuper Financial Services Pty Ltd (See Note 13) is the actuary for the Fund's other defined benefit plans.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT

(a) Financial instruments management

The investments of the Fund, other than cash held for meeting administrative and benefit expenses and certain other cash held on term deposit with Australian banks, are managed on behalf of the Trustee by specialist fund managers who are required to invest the assets allocated for management in accordance with the terms of a written investment management agreement or relevant offer document. The Trustee has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Trustee's investment strategy.

State Street Australia Limited acts as master custodian on behalf of the Trustee and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends, securities lending and accounting for investment transactions.

(b) Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, market risk (including interest rate risk, currency risk, and price risk) and liquidity risk. The Fund's risk management and investment policies, approved by the Trustee, seek to manage the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments.

It is the responsibility of the Trustee to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Trustee has the function of overseeing the establishment and maintenance of risk-based systems and controls for the Fund. The Trustee has developed, implemented and maintains a Risk Management Framework (RMF) that is used in the daily operations of the Fund.

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems seek to address the material risks, financial and non-financial, likely to be faced by the Fund. Annually, the Trustee certifies to APRA that adequate strategies have been put in place to monitor those risks. The Trustee has systems in place to provide reasonable assurance that the Fund complies with legislative and prudential requirements and that the Trustee has satisfied itself as to the compliance with the RMF.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

There are two main sources of credit risk in Sunsuper's investments:

- the risk that a borrower will default on payments due under certain financial instruments that the Fund holds as an asset; and
- the risk that a counterparty to a financial derivative contract will not meet payments that are due.

The Trustee has adopted the policy of spreading the aggregate value of transactions amongst approved counterparties with appropriate credit qualities, as a means of mitigating the risk of financial loss.

In particular, the Trustee has appointed investment managers who are required to explicitly consider the credit quality of the underlying investments and are also required to restrict exposure to individual borrowers and counterparties. Compliance with these requirements is continuously monitored through the managers' internal compliance functions and is also independently monitored by the custodian appointed by the Trustee. In addition, the Trustee has entered into netting arrangements to restrict the maximum potential loss that can result from a failure by counterparties to derivative contracts.

The Trustee receives regular reporting on breaches and where appropriate will seek compensation in respect to any breach that results in a material loss.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONT.)

(c) Credit risk (Cont.)

The principal asset classes in which material credit risk can arise are in the cash, fixed interest and alternative asset portfolios. The carrying amounts of the financial assets represent the maximum credit risk exposure at the reporting date. The majority of borrowers in respect to bonds and loans have been assessed at the time of investment as "investment grade" by a recognised ratings agency.

From the perspective of the Trustee, liabilities only arise after contributions are actually received from the employers. Credit risk associated with other receivables is regarded as minimal.

The Fund does not have any significant credit risk exposure to any single counterparty or to any group of counterparties having similar characteristics, with the exception of the Australian banking sector.

Concentration of credit risk related to the Australian banking sector at 30 June 2018 was 7.53% (2017: 9.11%) of total investments.

(d) Market risk

Market risk is the risk that the fair value of a financial asset will fluctuate because of general market changes, fundamental changes that affect specific assets, or changes in sentiment. Market risk is manifested in three main types of risk: market interest rates (interest rate risk), foreign exchange (currency risk), and market prices (price risk). The Fund's policies and procedures put in place to mitigate exposure to market risk are detailed in the Trustee's investment policies and the RMF. There has been no significant change to the nature of the Fund's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's investments in bonds, fixed interest securities, debt securities and cash are subject to interest rate risk.

The Fund's activities expose it to the financial risk of changes in interest rates. In relation to the financial assets of the Fund, floating rate instruments expose the Fund to cash flow risk, whereas fixed interest rate instruments expose the Fund to fair value interest rate risk. The Fund has no direct exposure to interest rate risk for any financial liabilities but does note that changes in interest rates may affect the fair value of the Fund's financial assets which in turn affect the value of members' accounts.

The following table has been drawn up based on the expected maturities of the financial assets including interest that will be earned on those assets. The interest rate risk disclosures have been prepared on the basis of the Fund's direct investments and not on a look-through basis for investments held indirectly through unit trusts or other investment vehicles.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONT.)

(d) Market risk (Cont.)

Interest rate risk (Cont.)

	Fixed interest rate					Non-interest bearing	Total
	Floating interest rate	3 months or less	3-12 months	1-5 years	Over 5 years		
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
30 June 2018							
Financial assets							
Investments							
-Australian shares	9	40	-	-	-	14,818	14,867
-International shares	5	-	-	2	-	13,420	13,427
-Private capital	-	-	-	-	-	3,325	3,325
-Property	-	-	-	-	-	5,729	5,729
-Infrastructure	136	-	-	128	4	3,276	3,544
-Fixed interest	1,732	389	226	1,554	2,754	268	6,923
-Hedge funds and alternative strategies	562	3	-	-	-	2,348	2,913
-Cash	805	1,416	2,197	-	-	18	4,436
-Diversified strategies	18	17	-	42	72	1,813	1,962
Cash and cash equivalents	720	-	-	-	-	-	720
Receivables and other assets	41	-	-	-	-	198	239
	4,028	1,865	2,423	1,726	2,830	45,213	58,085
Financial liabilities							
Payables	-	-	-	-	-	478	478
Net financial assets	4,028	1,865	2,423	1,726	2,830	44,735	57,607

	Fixed interest rate					Non-interest bearing	Total
	Floating interest rate	3 months or less	3-12 months	1-5 years	Over 5 years		
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
30 June 2017							
Financial assets							
Investments							
-Australian shares	9	36	-	-	-	11,190	11,235
-International shares	4	-	-	-	-	10,427	10,431
-Private capital	-	-	-	-	-	2,739	2,739
-Property	-	-	-	-	-	4,206	4,206
-Infrastructure	-	-	-	9	4	2,609	2,622
-Fixed interest	1,270	109	205	1,329	1,987	389	5,289
-Hedge funds and alternative strategies	522	-	-	-	-	2,236	2,758
-Cash	942	1,292	2,181	-	-	-	4,415
-Diversified strategies	36	-	1	28	62	1,983	2,110
Cash and cash equivalents	723	-	-	-	-	-	723
Receivables and other assets	23	-	-	-	-	99	122
	3,529	1,437	2,387	1,366	2,053	35,878	46,650
Financial liabilities							
Payables	-	-	-	-	-	263	263
Net financial assets	3,529	1,437	2,387	1,366	2,053	35,615	46,387

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONT.)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 75 basis points (2017: 79 bps) increase or decrease represents management's assessment of the possible change in interest rates.

The following table illustrates the effect on operating result after income tax and net assets available for member benefits from possible changes in market risk that were reasonably possible based on the risk the Fund was exposed to at reporting date. Liability for accrued benefits would also change by a similar amount as net assets available for member benefits.

	Effects on operating results after income tax / Net assets available for member benefits			
	2018		2017	
	+75 bps	-75 bps	+79 bps	-79 bps
	\$M	\$M	\$M	\$M
Effects on operating results after income tax / net assets available for member benefits	(185)	185	(137)	137

Currency risk

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the Income Statement in the period in which they arise except exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Currency risk is the risk that the fair value of a financial asset will fluctuate because of changes in foreign exchange rates.

The Fund undertakes certain transactions denominated in foreign currencies and is therefore exposed to the effects of exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters. This exchange rate exposure is managed in line with the Trustee's investment policies and the RMF. The Fund's overall strategy in foreign currency risk management remains unchanged from 2017.

It is the policy of the Trustee to enter into forward foreign exchange contracts and cross currency swaps to cover the change in asset values that may arise from currency translation. The contracts are entered into on a rolling basis throughout the year and, consequently, there is no specific cover for foreign currency payments and receipts. The Fund's exposure to foreign exchange rate movements on its investments was as follows:

	INVESTMENTS DENOMINATED IN FOREIGN CURRENCY					
	USD	EUR	GBP	JPY	CNY	OTHER
30 June 2018	A\$ M	A\$ M	A\$ M	A\$ M	A\$ M	A\$ M
Gross investment amounts denominated in foreign currency	14,897	2,256	1,558	963	710	3,951
Less: Amount effectively hedged	9,180	1,567	823	6	-	822
Net exposure	5,717	689	735	957	710	3,129
30 June 2017						
Gross investment amounts denominated in foreign currency	11,705	2,057	765	714	617	3,516
Less: Amount effectively hedged	7,869	1,559	309	259	420	397
Net exposure	3,836	498	456	455	197	3,119

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONT.)

Currency sensitivity

The following table details the Fund's sensitivity to a 10% (2017: 10%) increase and decrease in the Australian Dollar against the relevant foreign currencies. A 10% increase or decrease is management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2017: 10%) change in foreign currency rates. Liability for accrued benefits would also change by a similar amount as net assets available for member benefits.

	Effects on operating results after income tax / Net assets available for member benefits			
	2018		2017	
	+10%	-10%	+10%	-10%
	\$M	\$M	\$M	\$M
USD impact	(442)	540	(296)	362
EUR impact	(53)	65	(38)	47
GBP impact	(57)	69	(35)	43
JPY impact	(74)	90	(35)	43
CNY impact	(55)	67	(15)	19
Other currencies impact	(242)	296	(241)	295

Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund has investments in a variety of assets which are exposed to price risk. The Fund is exposed to equity price risk arising from market equity investments and other price risk arising from its investments in collective vehicles.

As the majority of the Fund's financial instruments are carried at fair value with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect net investment income.

Price risk is mitigated by the Fund's investment managers by constructing diversified portfolios of instruments traded on various markets.

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

12. FINANCIAL RISK MANAGEMENT (CONT.)

Price risk sensitivity

The following table illustrates the effect on operating result after income tax and net assets available for member benefits from specified changes in market prices that were reasonably possible based on management's assessment of the risk the Fund was exposed to at the reporting date. For a negative change in the variable, there would be an equal and opposite impact on net assets available for member benefits, and the balances below would be negative. Liability for accrued benefits would also change by a similar amount as net assets available for member benefits.

	Change in variable		Effects on operating results after income tax / Net available for member benefits	
	2018	2017	2018	2017
	+/-	+/-	\$M	\$M
Australian shares	16%	17%	2,114	1,720
International shares	19%	19%	2,271	1,782
Private capital	11%	12%	329	296
Property	9%	10%	463	378
Infrastructure	10%	11%	316	260
Hedged funds	8%	7%	212	137
Diversified strategies	13%	12%	227	236

(e) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as and when they fall due or can only do so on terms that are materially disadvantageous.

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The Fund allows members to withdraw benefits and it is therefore exposed to the liquidity risk of meeting members' withdrawals within the timeframes permitted under relevant law. In some circumstances, the Trustee has the discretion to delay redemptions. The value of the liabilities to members is determined by the value of the assets.

The Fund's liquidity risk is managed in accordance with the Fund's investment strategy and liquidity policy. The Fund principally manages liquidity risk by maintaining adequate banking facilities, continuous monitoring of forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities and through regular scenario testing designed to control the minimum exposure to liquid asset classes at any one point in time. The Fund also has a high level of net inward cash flows (through new contributions) which provide additional capacity to manage liquidity risk.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONT.)

(e) Liquidity risk (Cont.)

The following table summarises the maturity profile of the Fund's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay.

30 June 2018	3 months or less \$M	3-12 months \$M	1-5 years \$M	Over 5 years \$M	Total \$M
Member benefits					
Defined member contribution	54,535	-	-	-	54,535
Defined benefit contribution	1,143	-	-	-	1,143
Other:					
Payable	478	-	-	-	478
Other financial liabilities	320	-	-	-	320
Cash collateral repayable	1,038	-	-	-	1,038
Net derivative liabilities:					-
Futures	77	-	-	-	77
Options	1	1	-	-	2
Forward foreign exchange contracts					-
- Outflow	321	283	48	-	652
- Inflow	(40)	(1)	-	-	(41)
Cross - currency swaps					-
- Outflow	-	1	3,544	1	3,546
- Inflow	-	-	(3,363)	-	(3,363)
	57,873	284	229	1	58,387

30 June 2017	3 months or less \$M	3-12 months \$M	1-5 years \$M	Over 5 years \$M	Total \$M
Member benefits					
Defined member contribution	43,783	-	-	-	43,783
Defined benefit contribution	1,079	-	-	-	1,079
Other:					
Payable	263	-	-	-	263
Other financial liabilities	210	-	-	-	210
Cash collateral repayable	652	-	-	-	652
Net derivative liabilities:					-
Futures	28	-	-	-	28
Options	3	-	-	-	3
Forward foreign exchange contracts					-
- Outflow	150	87	-	-	237
- Inflow	(23)	(7)	-	-	(30)
Cross - currency swaps					-
- Outflow	-	-	228	1	229
- Inflow	-	-	(211)	-	(211)
	46,145	80	17	1	46,243

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL RISK MANAGEMENT (CONT.)

(f) Securities lending arrangements

The Fund entered into securities lending arrangements with the State Street Bank and Trust Company from October 2014, under which legal title to certain assets of the Fund may be transferred to another entity, notwithstanding the fact that the risks and benefits of ownership of the assets remain with the Fund including the right to vote.

Loaned Assets and Collateral

The assets transferred to other entities under securities lending arrangements may include Australian and International equities and fixed income securities that are held discretely by the Fund's Custodian. The risks of ownership to which the Fund remains exposed are currency risk, interest rate risk, credit risk and price risk.

The carrying amount of securities that may be eligible for securities lending activities at reporting date amounted to \$27,878m (2017: \$20,036m). The carrying amount of securities on loan at reporting date was \$3,095m (2017: \$2,061m).

The terms and conditions associated with the use of collateral held as security in relation to the assets lent are governed by a Securities Lending Agreement that requires the borrower to provide the lender with collateral to the value equal to or greater than the loaned securities. The collateral held at reporting date as security had a fair value of \$3,308m (2017: \$2,216m). The cash collateral held amounted to \$1,037m (2017: \$652m) and is recognised as both a financial asset and a financial liability in the Statement of Financial Position. Non cash collateral held is not recognised in the Statement of Financial Position. The State Street Bank and Trust Company, as lending agent, indemnifies the Fund for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan.

Earnings and Fees

During the year the gross earnings were \$12m (2017: \$7.6m). These amounts were received on behalf of the Fund and have been recognised in the Income Statement. During the year ended 30 June 2018, the Fund paid fees to the State Street Bank and Trust Company in the amount of \$3m (2017: \$1.9m) for acting as lending agent and have been recognised in the Income Statement. Net benefits realised from the security lending arrangements are returned to members via an increase in unit prices.

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. RELATED PARTY TRANSACTIONS

The Fund has a number of related parties and a number of transactions have occurred during the year. All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities. The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties. All related party transactions were conducted on an arm's length commercial basis. All transactions and balances are recorded in the financial statements of the Fund.

(a) Sunsuper Pty Ltd

Sunsuper Pty Ltd (the trustee) acts as the Trustee of the Fund. All expenses incurred by the Trustee in relation to the Trustee and its directors, were paid by Sunsuper Pty Ltd and then charged to the Fund in the form of Trustee service fees. All other expenses incurred by the Trustee in relation to administration of the Fund are paid by the Fund.

	2018	2017
	\$ 000	\$ 000
The following is a summary of transactions between the Fund and the Trustee which are included in the Fund's Income Statement:		
• The Fund paid fees to Sunsuper Pty Ltd for the trustee services provided for the year	2,038	1,594
• The Fund charged Sunsuper Pty Ltd for operating expenses. These charges were determined on the basis of the Trustee's direct share of expenses incurred by the Fund	97	117
• The Fund paid other expenses to Sunsuper Pty Ltd	23	20

The following balances are included in the Fund's Statement of Financial Position and related to the trustee:

• Net receivable/(payable) due from/(to) Sunsuper Pty Ltd	154	18
---	-----	----

The Fund received superannuation contributions from Sunsuper Pty Ltd in relation to superannuation guarantee contributions and salary sacrifice contributions made in relation to Sunsuper Pty Ltd directors who are members of the Fund.

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. RELATED PARTY TRANSACTIONS (CONT.)

(b) Precision Administration Services Pty Ltd

Precision Administration Services Pty Ltd (PAS) is a wholly owned subsidiary of the Fund and provides administration services to the Fund.

The following is a summary of transactions between the Fund and PAS which are included in the Fund's Income Statement:

	2018	2017
	\$ 000	\$ 000
• Fees paid by the Fund for the employer and member administration services provided for the year	129,687	103,523
• Other expenses reimbursed by the Fund	301	70
• Office rental, salaries and other operating expenses charged by the Fund. These charges were determined on the basis of the company's direct share of expenses incurred by the Fund.	5,306	4,853
• Interest charged by the Fund on a loan	879	310

The following balances are included in the Fund's Statement of Financial Position and related to PAS:

• Estimated fair value of PAS	49,100	42,249
• Loan receivable	40,000	22,000
• Net payable	15,621	9,965

On 10 February 2016, a loan facility was agreed with Precision Administration Services Pty Ltd for a maximum of \$50m. As at 30 June 2018, \$40m had been drawn down (2017: \$22m). The repayment date per loan agreement is 30 June 2026.

The Fund received superannuation contributions from Precision Administration Services Pty Ltd in relation to superannuation guarantee contributions, salary sacrifice contributions and member voluntary contributions made in relation to subsidiary employees who are members of the Fund.

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. RELATED PARTY TRANSACTIONS (CONT.)

(c) Sunsuper Financial Services Pty Ltd

Sunsuper Financial Services Pty Ltd (SFS) is a wholly owned subsidiary of the Fund and provides actuarial consulting services to members of the Fund and sponsoring employers.

The following is a summary of transactions between the Fund and SFS which are included in the Fund's Income Statement

	2018	2017
	\$ 000	\$ 000
• Interest charged by the Fund on a loan	10	10
• Office rental, salaries and other operating expenses charged by the Fund. These charges were determined on the basis of the company's direct share of expenses incurred by the Fund	123	263
• Other expenses paid by the fund such as Professional Fees and Actuarial Consulting.	99	245

The following balances are included in the Fund's Statement of Financial Position and related to SFS:

• Estimated fair value of SFS	323	315
• Loan receivable	700	700
• Net receivable due from SFS	-	120
• Net payable due to SFS	8	-

(d) Sunsuper Pooled Superannuation Trust

Sunsuper Pooled Superannuation Trust (PST) is used as an investment vehicle supporting the overall investment strategy of the Fund. The following is a summary of transactions and balances between the Fund and PST:

	2018	2017
	\$ 000	\$ 000
• The Fund made a net purchase/(redemption) of units in the trust	459,347	(264,959)
• Office rental, salaries and other operating expenses charged by the Fund. These charges were determined on the basis of the trust's direct share of expenses incurred by the Fund.	-	14
• The Fund made a payment to the trust to compensate for the tax liability on assessable contributions transferred from the Fund to the trust	412,500	285,000
• The estimated fair value of PST (The fair value is included in investments in the Fund's financial statements)	7,444,174	6,083,236

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. RELATED PARTY TRANSACTIONS (CONT.)

(e) Sunsuper Infrastructure Trust 3

Sunsuper Infrastructure Trust (SIT3) is used as an investment vehicle supporting the infrastructure investment strategy of the Fund. The following is a summary of transactions and balances between the Fund and SIT3:

	2018	2017
	\$ 000	\$ 000
• Return of capital received from SIT3	-	800
• Estimated fair value of SIT3 (the fair value is included in investments in the Fund's financial statements)	158,174	152,624

(f) Other related parties

The Board of Directors of Sunsuper Pty Ltd has equal numbers of employer representatives, employee representatives and independents. According to the Constitution of the Company there are six shares on issue. Each share has attached to it the right to appoint one director. The shares in the Company, and therefore the right to appoint directors are as follows:

Chamber of Commerce & Industry Queensland	3
Queensland Council of Unions	2
The Australian Workers' Union of Employees, Queensland	1

The Fund has entered into transactions with these bodies which include the receipt of superannuation contributions and other minor transactions such as membership subscriptions and seminar registrations. These transactions are conducted under normal terms and conditions.

In addition to the items referred to, below is a summary of the significant transactions that the Fund and Trustee had with these related entities.

	2018	2017
	\$	\$
Payments for marketing and advertising services		
Chamber of Commerce & Industry Queensland	44,069	44,107
Queensland Council of Unions	31,606	43,008
The Australian Workers' Union of Employees, Queensland	4,175	26,637
Director fees paid to employer of director (included in compensation of key management personnel (refer note 14(b)))		
Queensland Council of Unions	175,147	136,678
The Australian Workers' Union of Employees, Queensland	113,005	111,271

Director fees paid to employers of some of the directors were paid by the Trustee, Sunsuper Pty Ltd.

In addition to the employer and union bodies referred to above, the Fund has entered into transactions with other entities which share common directorship or key management personnel with the Fund. This includes the receipt of superannuation contributions from the other entities. These transactions are conducted under normal terms and conditions.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

13. RELATED PARTY TRANSACTIONS (CONT.)

(g) Controlled Entities

Parent entity	Country of incorporation	Ownership interest	
		2018	2017
Sunsuper Superannuation Fund			
Controlled entities			
Sunsuper Financial Services Pty Ltd	Australia	100%	100%
Precision Administration Services Pty Ltd	Australia	100%	100%
Beston Accommodation Parks Trust	Australia	95%	96%
CCP Bidco Trust 2	Australia	76%	76%
Corporate Opportunity Fund 2A LP	Australia	83%	83%
Corporate Opportunity Fund 2A Trust	Australia	83%	83%
CWC Corporate Opportunity 1A Trust	Australia	100%	100%
CWC Corporate Opportunity 1B Trust	Australia	100%	100%
CWC Corporate Opportunity No 1 Limited Partnership LP	Australia	90%	90%
Discovery Parks Holdings Pty Ltd	Australia	95%	96%
Eveleigh Trust 2	Australia	100%	100%
Riversdale Investment Op Trust	Australia	100%	100%
Riversdale Investment Prop Trust	Australia	100%	100%
Sentient Global Resource Trust II	Cayman Islands	100%	100%
Sunsient Ltd	Cayman Islands	100%	100%
Sunsuper Holdings Pty Ltd	Australia	100%	100%
Sunsuper Infrastructure Trust 1	Australia	100%	100%
Sunsuper Infrastructure Trust 2	Australia	100%	100%
Sunsuper Infrastructure Trust 3	Australia	100%	100%
Sunsuper Infrastructure Trust 4	Australia	100%	100%
Sunsuper Infrastructure Trust 5	Australia	100%	100%
Sunsuper Investments A Pty Ltd	Australia	100%	100%
Sunsuper Pooled Superannuation Trust	Australia	100%	100%
SunVest LLC	USA	97%	100%
Westbourne Yield Fund No. 5	Australia	100%	100%
Sunkina Choice LP	Jersey	99.8%	100%
Sunrock Discretionary Co-Investment Fund, LLC	USA	100%	100%
Sunvard LP	USA	100%	100%
Sunman LLC	USA	54%	55%
Sunsuper AUD Collateral Trust	Australia	100%	100%
Sunsuper USD Collateral Trust	USA	100%	100%
SunVest II LLC	USA	99%	100%
Sunstone Real Estate LP	USA	99%	99%
Sunsuper Retail Property Trust 1	Australia	100%	100%
CorSun LLC	USA	100%	100%
Sunman II LLC	USA	100%	-
SunRock Discretionary Co-Investment Fund II LLC	USA	100%	-
Sunberg PE Opportunities Fund LLC	USA	99%	-
PAG-S AR Co-Investment Fund LP	Cayman Islands	100%	-
Sunstone PE Opportunities Fund LLC	USA	100%	-
Manikay Sunsuper Co-Investment Fund LLC	USA	100%	-
EIG Sunsuper Co-Investment LP	Cayman Islands	100%	-
Sunbridge Investments LLC	USA	100%	-

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

14. KEY MANAGEMENT PERSONNEL

(a) Key management personnel

The following is a list of the directors of Sunsuper Pty Ltd (Trustee of the Fund) at any time during the financial year and up to the date of this report along with key management personnel who had authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly.

Name	Position	Date began holding KMP position	Date ceased holding KMP position
Andrew Fraser	Director - Independent	16 September 2015	
Michael Clifford	Director - Member Representative	01 February 2016	
Elizabeth Hallett	Director - Employer Representative	27 March 2014	
Mark Harvey	Director - Employer Representative	1 July 2016	
Jenni Mack	Director - Independent	1 July 2015	
Roslyn McLennan	Director - Member Representative	28 October 2015	
Benjamin Swan	Director - Member Representative	5 August 2013	
Michael Traill	Director - Independent	16 September 2015	
Georgina Williams	Director - Employer Representative	20 July 2018	
Theresa Moltoni	Director - Employer Representative	1 July 2016	31 January 2018
Scott Hartley	Chief Executive Officer	28 January 2014	
Ian Patrick	Chief Investment Officer	23 November 2015	
Lachlan East	Chief Risk Officer	1 November 2016	
Teresa Hamilton ⁽¹⁾	EGM, Customer Engagement	1 July 2014	LOA 26 March 2018 ⁽¹⁾
Katherine Kaspar	CEO, Kinetic Super Limited	14 May 2018	
Danielle Mair ⁽¹⁾	Acting EGM, Customer Engagement	26 Mar 2018	
Michael Mulholland	EGM, Growth, Marketing & Advice	28 May 2014	
Jason Sommer	EGM, People, Projects & Performance	16 June 2014	
Teifi Whatley	EGM, Customer & Technology	19 June 2000	

(1) Danielle Mair replaced Teresa Hamilton in an acting capacity for the period 26 March 2018. Teresa Hamilton has been on a leave of absence (LOA) during this period.

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

14. KEY MANAGEMENT PERSONNEL (CONT.)

(b) Compensation and evaluation of key management personnel

Remuneration of directors and key management personnel

Director remuneration consists of Board and committee fees and superannuation guarantee contributions. The fees reflect the demands on and responsibilities of those directors. Director remuneration was paid by Sunsuper Pty Ltd.

Key management personnel remuneration comprises salaries, superannuation contributions, and short-term incentive bonuses. The Chief Executive Officer, in conjunction with the Nominations and Remuneration Committee, is responsible for determining the remuneration of key management personnel. The Nominations and Remuneration Committee reviews the Chief Executive Officer's remuneration. The Committee makes recommendations to the Board for its approval.

Director and key management personnel remuneration, including the Chief Executive Officer's, is reviewed at least annually. Remuneration levels are benchmarked against independent external sources. The directors and key management personnel are paid in accordance with the remuneration policy. In the case of directors, fees may be paid to the director, paid to the employer of the director or salary sacrificed as superannuation contributions.

Short-term incentive bonuses plan

The short-term incentive bonus plan rewards individual executive officers for achievement of Goals and Attributes. Performance Goals are set at the beginning of the financial year to which they relate and are measured over the course of each financial year (July to June). Performance Goal results are assessed through the Remuneration Review process that occurs annually.

A comprehensive explanation of remuneration for key management personnel is disclosed on the Fund's public website and can be accessed via <https://www.sunsuper.com.au/governance-and-reporting/prescribed-information> under Executive Officer Remuneration.

Remuneration paid and payable

The following table sets out the total remuneration paid and payable to key management personnel attributed to the Fund.

	2018	2017
	\$	\$
Directors		
Short-term employee benefits	756,815	644,050
Post-employment benefits	102,170	101,266
	<u>858,985</u>	<u>745,316</u>
Other key management personnel		
Short-term employee benefits	2,552,955	2,619,145
Post-employment benefits	341,971	357,445
Other long-term employee benefits	1,230	7,479
Termination	-	297,724
	<u>2,896,156</u>	<u>3,281,793</u>
	<u>3,755,141</u>	<u>4,027,109</u>

- (1) Post-employment benefits are defined as employee benefits (other than termination benefits) which are payable after the completion of employment, and comprise mainly contributions paid or payable to superannuation plans. These include salary sacrifice payments.
- (2) Other long-term employee benefits represent long service leave. Other key management personnel are entitled to long service leave when a 10 year service period has been reached. Only key management personnel with 10 or more years' service have remuneration reflected in other long term employee benefits. At 30 June following when 10 years' service has been reached, the full long service leave entitlement will be included in other long-term employee benefits. Subsequent reporting periods will include any increase in this entitlement as other long term employee benefits.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. KEY MANAGEMENT PERSONNEL (CONT.)

(b) Compensation and evaluation of key management personnel (Cont.)

The following table sets out the detailed remuneration paid and payable to each key management personnel:

	Base Director Fees and Salary including short- term leave (3)	Board and Committee Chair fees (4)	Incentive and other bonus	Non-monetary benefits - reportable fringe benefits	Superannuation contributions, (including salary sacrifice superannuation payments)	Long service leave	Termination benefits	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2018								
Andrew Fraser (5)	63,761	46,101	-	-	14,831	-	-	124,693
Michael Clifford (1)	63,761	10,478	-	-	10,022	-	-	84,261
Elizabeth Hallett	63,761	37,719	-	-	13,700	-	-	115,180
Mark Harvey	63,761	12,573	-	-	10,305	-	-	86,639
Jenni Mack	63,761	30,385	-	-	12,710	-	-	106,856
Roslyn McLennan (1)	63,761	37,719	-	-	13,700	-	-	115,180
Benjamin Swan (2) (5)	63,761	49,244	-	-	15,256	-	-	128,261
Michael Traill	63,761	10,478	-	-	10,022	-	-	84,261
Theresa Moltoni	37,193	14,669	-	-	7,001	-	-	58,863
Scott Hartley	557,741	-	262,163	-	114,061	-	-	933,965
Ian Patrick	431,089	-	443,415	-	112,617	-	-	987,121
Lachlan East	258,409	-	87,845	-	46,115	-	-	392,369
Teresa Hamilton	200,970	-	122,405	-	52,507	-	-	375,882
Katherine Kaspar	47,997	-	11,963	-	7,732	-	-	67,692
Danielle Mair	70,397	-	13,222	-	9,685	-	-	93,304
Michael Mulholland	402,521	-	183,753	-	79,245	-	-	665,519
Jason Sommer	372,705	-	179,155	-	74,244	-	-	626,104
Teifi Whatley	306,313	-	131,418	-	59,051	6,148	-	502,930
Year ended 30 June 2017								
Andrew Fraser	62,206	21,694	-	-	11,235	-	-	95,135
Michael Clifford (1)	62,206	-	-	-	8,322	-	-	70,528
Elizabeth Hallett	62,206	24,533	-	-	11,604	-	-	98,343
Mark Harvey	62,206	-	-	-	8,322	-	-	70,528
Jenni Mack	48,206	-	-	-	22,322	-	-	70,528
Roslyn McLennan (1)	62,206	12,266	-	-	9,978	-	-	84,450
Benjamin Swan (2)	62,206	49,065	-	-	14,887	-	-	126,158
Michael Traill	62,206	-	-	-	8,322	-	-	70,528
Theresa Moltoni	62,206	24,533	-	-	11,604	-	-	98,343
Scott Hartley	560,603	-	266,007	-	112,382	-	-	938,992
Ian Patrick	405,740	-	453,076	-	98,914	-	-	957,730
Lachlan East	247,948	-	82,599	-	52,583	-	-	383,130
Teresa Hamilton	272,280	-	89,207	-	46,620	-	-	408,107
Michael Mulholland	420,013	-	174,160	-	76,911	-	-	671,084
Jason Sommer	366,330	-	174,449	-	71,759	-	-	612,538
Teifi Whatley	300,487	-	108,370	-	53,747	14,039	-	476,643
Julian Carroll	67,210	-	-	-	22,632	21,855	138,759	250,456
Andrea Forbes	90,832	-	-	-	19,301	-	60,607	170,740
Craig Neal	84,743	-	-	-	30,063	56	202,284	317,146
Steven Travis	93,319	-	-	50,279	19,961	1,331	470,282	635,172

(1) Director fees were paid to the employer of the director, Queensland Council of Unions

(2) Director fees were paid to the employer of the director, The Australian Workers' Union of Employees, Queensland.

(3) The figures exclude amounts that have been salary sacrificed as superannuation payments.

(4) Additional Board and Committee allowances are paid for the following positions: Chair of the Board, Deputy Chair, Investment Committee Chair, Audit Compliance and Risk Management Committee Chair, Nominations and Remuneration Committee Chair and Claims Committee Chair. Director chairs who sit as chair on one or more Committees are only entitled to one chair allowance. Directors who sit on two or more committees are also provided an additional allowance.

(5) Benjamin Swan's term as Chairman ended on 31 January 2018, Andrew Fraser was appointed as chairman on 1 February 2018.

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. KEY MANAGEMENT PERSONNEL (CONT.)

(b) Compensation and evaluation of key management personnel (Cont.)

The following table sets out information about the short-term incentive bonuses which were paid or payable to each key management personnel in the years ended 30 June 2018 and 30 June 2017. Terms and conditions covering the payment of short-term incentive bonuses are described above.

Name	Incentive bonus inclusive of superannuation payment	Financial year the bonus was paid/will be payable	Financial year the performance relates to	% of incentive bonus that was paid/will be payable	% of incentive bonus that was forfeited
Scott Hartley	258,081	2017 & 2018 (1)	2016	78%	22%
Ian Patrick	178,831	2017 & 2018 (2)	2016	62%	38%
Teresa Hamilton	79,786	2017 & 2018 (1)	2016	73%	27%
Michael Mulholland	144,252	2017 & 2018 (1)	2016	62%	38%
Jason Sommer	148,314	2017 & 2018 (1)	2016	73%	27%
Teifi Whatley	69,435	2017 & 2018 (1)	2016	61%	39%
Scott Hartley	301,918	2018 & 2019 (3)	2017	89%	11%
Ian Patrick	361,609	2018 & 2019 (3)	2017	73%	27%
Lachlan East	93,750	2018 & 2019 (3)	2017	83%	17%
Teresa Hamilton	101,250	2018 & 2019 (3)	2017	83%	17%
Michael Mulholland	197,671	2018 & 2019 (3)	2017	83%	17%
Jason Sommer	198,000	2018 & 2019 (3)	2017	92%	8%
Teifi Whatley	123,000	2018 & 2019 (3)	2017	91%	9%
Scott Hartley	297,556	2019 & 2020 (4)	2018	85%	15%
Ian Patrick	450,822	2019 & 2020 (5)	2018	89%	11%
Lachlan East	91,350	2019 & 2020 (4)	2018	80%	20%
Teresa Hamilton	123,930	2019 & 2020 (4)	2018	75%	25%
Katherine Kaspar	13,577	2019 & 2020 (4)	2018	67%	33%
Danielle Mair	15,073	2019 & 2020 (4)	2018	44%	56%
Michael Mulholland	193,560	2019 & 2020 (4)	2018	80%	20%
Jason Sommer	189,108	2019 & 2020 (4)	2018	85%	15%
Teifi Whatley	134,640	2019 & 2020 (4)	2018	73%	27%

(1) 3/4 of the total incentive payment was paid in FY 2017 and remaining 1/4 was paid in FY 2018

(2) 2/3 of the total incentive payment was paid in FY 2017 and remaining 1/3 was paid in FY 2018

(3) 3/4 of the total incentive payment was paid in FY 2018 and remaining 1/4 will be paid in FY 2019

(4) 3/4 of the total incentive payment will be paid in FY 2019 and remaining 1/4 will be paid in FY 2020

(5) 2/3 of the total incentive payment will be paid in FY 2019 and remaining 1/3 will be paid in FY 2020

SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. KEY MANAGEMENT PERSONNEL (CONT.)

(c) Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board	Audit, Compliance and Risk Management Committee	Investment Committee	Nominations, Remuneration and Governance Committee	Claims Committee	Successor Fund Transfer Committee
Number of meetings held in the year	14	8	6	8	12	9
Directors	Number of meetings attended ⁽¹⁾					
Andrew Fraser	14 (14)	4 (4)	6 (6)	4 (4)	N/A	4 (4)
Michael Clifford	10 (14)	7 (8)	N/A	4 (4)	N/A	N/A
Elizabeth Hallett	14 (14)	8 (8)	6 (6)	8 (8)	N/A	9 (9)
Mark Harvey	14 (14)	7 (8)	6 (6)	N/A	N/A	N/A
Jenni Mack	14 (14)	N/A	N/A	8 (8)	12 (12)	9 (9)
Roslyn McLennan	14 (14)	N/A	5 (6)	7 (8)	11 (12)	9 (9)
Benjamin Swan	14 (14)	6 (8)	6 (6)	4 (4)	N/A	N/A
Michael Traill	13 (14)	N/A	5 (5)	N/A	N/A	N/A
Georgina Williams ⁽³⁾	-	-	-	-	-	-
Theresa Moltoni ⁽²⁾	8 (8)	N/A	N/A	4 (4)	N/A	N/A

- (1) Where the total number of meetings the director was eligible to attend is less than the number of meetings held in the year, the number of meetings the director was eligible to attend is shown in brackets. Eligibility to attend meetings may be less than the number of meetings held in the year due to appointment and resignation of directors and rotation of committee membership.
- (2) Theresa Moltoni resigned as a director effective 31 January 2018
- (3) Georgina Williams was appointed as a director on 20 July 2018

**SUNSUPER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

15. SUBSEQUENT EVENTS

The Trustee entered into an agreement for a successor fund transfer with the AustSafe Super in July 2018. As at the date of this report, AustSafe Super is expected to be transferred into the Fund in early 2019. As at 30 June 2018, AustSafe Super had approximately \$2.5 billion in net assets and 110,000 members.

Except as disclosed above, there have been no other matters or circumstances since 30 June 2018 that have significantly affected or may significantly affect the Fund.